Family Times

A QUARTERLY NEWSLETTER FOR THE
GREATER WASHINGTON D.C.
FAMILY BUSINESS ALLIANCE

THE WEISSBERG FOUNDATION:
Creating a Legacy of Family Philanthropy

BY W. DEAN SMITH, SENIOR VICE PRESIDENT, CAPITAL GROUP PRIVATE CLIENT SERVICES

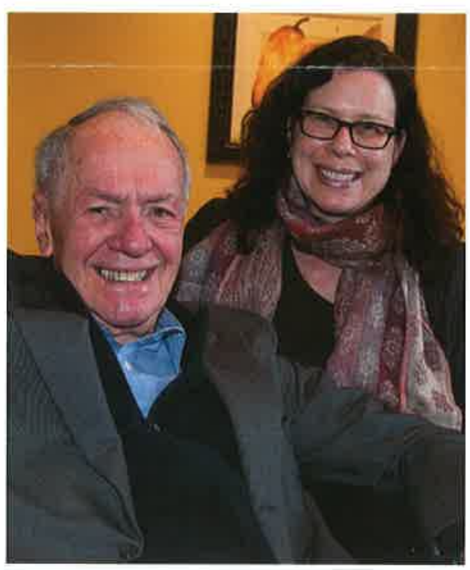
Generosity and community involvement are at the core of many family businesses, and many business leaders seek for ways to not only assist in meeting their community's needs, but also establish and maintain a legacy of philanthropy throughout generations of the business' leadership. Family foundations can be an effective and meaningful way of accomplishing these goals.

Building a Strong Foundation

Marvin Weissberg, a successful real estate developer and founder of the Weissberg Development Corp., now a second generation family-owned real estate management company, was committed to establishing a philanthropic legacy in his family. "It's in my blood to help people," he explains. "I did not come from wealth, so it was important for me to instill [generosity] in my family."

In 1989 he formed the Weissberg Foundation ("the Foundation") with the aim of involving his family and contributing to the metropolitan Washington DC community. Weissberg believed that a foundation would be the best way to establish a legacy of charitable giving and hoped that the Foundation would involve his daughters, as well as future grandchildren and subsequent generations.

The Foundation began by making a fairly large number of smaller grants to a variety of organizations. After a short time, however, they realized that in order to be most productive and effective, the Foundation needed to give fewer and larger grants, focus on local Washington, DC organizations, and narrow the focus to just four areas, which remain the foundation's focal points today:



• Marvin Weissberg and his daughter, Nina. •

1. Theater and the arts
2. Social issues
3. Education
4. Health

Most grants may be awarded for a period of three years and range in size from $10,000 to $20,000. During the three-year period, grantees are closely monitored by staff and the Board. All grant recipients must be registered 501(c)(3) organizations in good standing with all regulatory authorities.

Over twenty years later, the Foundation is thriving. Family involvement is very strong – Weissberg, both daughters, and four of their friends form the Board, which meets twice each year and often visits current and future grant recipients. In addition to the Board, foundation staff includes an executive director and a part-time assistant.

The Impact of Success

Metro TeenAIDS, a DC community health organization dedicated to supporting young people in the fight against HIV/AIDS, has received several grants from the Foundation. "The investment from the Weissberg Foundation has helped us expand our work into schools so that we can make sure young people are making informed choices," says Adam Tenner,

continued on page 2

• Left: Marvin Weissberg with his daughters, Nina and Wesley. •

• Below: Weissberg Foundation Executive Director Ilene Trachtenberg speaks at a grantee's event. •

continued from page 1

Executive Director. Tenner adds that the Foundation is on the forefront of important causes. "The Foundation members are willing to be leaders and visionaries…they really have been very forward-thinking and deserve tremendous credit for that."

Another success that Weissberg notes was a challenge grant given to a community facility in Alexandria, Virginia providing services to the poor. This grant, at $100,000, was an exception in terms of size and the facility was able to raise $100,000 to match the grant. These funds were critical to the center's success.

Family involvement has exceeded Weissberg's expectations and he thoroughly enjoys helping small organizations which are carrying out important work in an effective way. "We've helped organizations to do extra work, and that's very important," he notes. "It's important to us that they open doors to people in need." Additionally, the financial support of the Foundation also provides credibility to the funded non-profits, which is key to their long-term success and future fundraising efforts.

Challenges and Obstacles

However, as with any business or philanthropic venture, there have been several challenging moments. Weissberg is often saddened by some of the needs of the community that are presented to the Foundation and notes that they are "hard on the soul." Unfortunately, some grant recipients have not survived. According to the Nonprofit Finance Fund 2011 Survey, 85% of organizations expect an increase in service demand in 2011; just 46% expect to be able to fully meet the demand. Organizations like the Weissberg Foundation are vital to sustaining local not-for-profit service providers.

Continuing the Legacy

Marvin Weissberg plans to leave most of his estate to the Foundation in order to carry on a legacy of philanthropy and ensure its success. The Foundation's approach, and not just its money, has made a difference in many lives and Weissberg and his family are committed to enabling non-profits to succeed and thrive through their generosity.

For more information, contact the Weissberg Foundation at 703-276-7500.

Strategies for Forming a Philanthropic Foundation

For families interested in forming a foundation, Weissberg offers the following strategies:

Have a Purpose. Weissberg advises targeting your efforts by picking a few strategic areas and efforts to fund. This will not only allow for more generous grants, but it will also keep the scope of the organization manageable.

Define Expectations. It is essential to define expectations in all areas, including giving targets, growth, geography, grant sizes and terms. Foundations must set reasonable goals and think through both management and family responsibilities.

Know Your Grantees. Conduct site visits and get to know your grantees. It's important to see firsthand how they carry out their mission and how your grants are being used.

FAMILY FOUNDATIONS: INITIAL STEPS AND CONSIDERATIONS

by Nancy O. Kuhn and John J. Matteo
Jackson & Campbell, PC

Successful family businesses desirous of providing a lasting gift to society through charitable giving are well advised to establish a private foundation in order to take advantage of the Federal tax laws that encourage such philanthropy. A family foundation is no different from any other private foundation, even though the foundation will presumably be controlled and funded by the members of one family.

Establishing a Private Foundation

In order to be recognized as a section 501(c)(3) charitable entity by the Internal Revenue Service ("IRS"), a private foundation must file a Form 1023 Application for Recognition of Exempt Status. Generally, a nonprofit corporation or trust is established pursuant to state law prior to filing the application. The organizing documents of the foundation must include language permanently dedicating its assets to charitable programs. A foundation can conduct its own charitable programs, or make grants to section 501(c)(3) public charities chosen to fulfill the foundation's charitable purpose(s).

The organizational documents should include a mission statement describing the types of charitable activities the foundation will support. The IRS requires substantial information regarding specific activities. In cases where a foundation is not yet operational, the details will need to be projected, despite the lack of operating experience. A three-year financial budget which must include projected expenditures for compensation, rents, office expenses, travel, grants, professional fees, and any other expenses is also required. The IRS is currently focusing more specifically on governance issues, ensuring that all types of exempt organizations have compliant governing policies and practices. Therefore, a new family foundation must have a conflict of interest policy in addition to its initial articles of incorporation and bylaws. The Internal Revenue Code further requires that an entity aspiring to be a private foundation include a clause in its governing document that confirms that the organization will operate to avoid liability for excise taxes found in IRC sections 4941 through 4945, as discussed below.

Families considering establishing a family foundation are advised to seek the assistance of professionals at the formation stage to ensure they are properly organized and the requisite policies and procedures are in place to ensure IRS compliance.

Private Foundation Excise Taxes

Private foundations are subject to a series of excise taxes set forth in §4940 et seq. of the Internal Revenue Code. These excise taxes are not intuitive, and so care must be taken to understand each excise tax and the acts that will cause imposition of these penalty taxes.

Private foundations are generally prohibited from engaging in acts of "self-dealing" regardless of whether or not the transaction is reasonable (or even favorable) to the private foundation. Any transaction between a private foundation and a "disqualified person" is potentially subject to the self-dealing excise tax under section 4941. Disqualified persons include the private foundation's governing board, managers, substantial contributors, certain businesses, plus defined family members. While any individual may make a contribution to a private foundation, disqualified persons, including disqualified businesses, may not enter into any type of business transaction with the foundation, other than receiving reasonable compensation for services rendered (e.g., management services).

A private foundation must make annual charitable distributions

continued on page 4

continued from page 3

equal to at least 5% of the fair market value of its net investment assets for the prior year. These "qualifying distributions" include any amount paid to a governmental entity or public charity to accomplish a public or charitable purpose, plus reasonable and necessary administrative costs. Private foundations are also subject to other mandatory regulations, including restrictions on owning more than 20% of a business enterprise, as well as restrictions on certain investments that jeopardize its ability to carry on the activities which accomplish its exempt purpose.

Finally, a taxable expenditure made by a private foundation also is subject to an excise tax under IRC section 4945. Examples of taxable expenditures include: grants for non-charitable purposes, expenditures for lobbying and/or political campaign intervention, grants to non-public entities without exercising expenditure responsibility, and scholarship grants to individuals without IRS pre-approval.

Tax Benefits to Private Foundation Donors

In general, a deductible contribution of money to a private foundation by an individual is limited in any one year to an amount equal to 30% of the donor's adjusted gross income. A contribution of appreciated property to a private foundation will result in a deductible contribution limited in any one year to an amount equal to 20% of the donor's adjusted gross income. Therefore, it is advisable to structure a multi-year gift to correspond to the deductibility limits.

Summary

An organization can readily obtain recognition as a private foundation from the IRS, as long as a charitable purpose is set forth in the governing documents, and there is no indication of self-dealing or other activities that would subject the private foundation to excise taxes. Once the assets are donated to a private foundation and classified as section 501(c)(3) assets, those assets must remain within a charitable entity, and be utilized for charitable purposes. The fact that the private foundation is funded and controlled by the members of one family is allowed under the Internal Revenue Code; however, care must be taken so that there are no acts of self-dealing, as described above. Families considering establishing a family foundation are advised to seek the assistance of professionals at the formation stage to ensure they are properly organized and the requisite policies and procedures are in place to ensure IRS compliance.

Jackson &Campbell
Attorneys and Counselors at Law

Capital Group℠
Private Client Services

Growing and Protecting Wealth for Generations

Capital Group Private Client Services, founded in 1974, is one of the nation's leading wealth management firms. It began as a family office for The Capital Group Companies, among the largest and most well-respected investment organizations in the world. Today the firm works with a select group of high net-worth individuals and their outside advisers to create, implement and monitor an appropriate investment portfolio designed to meet each client's specific financial objectives. It also specializes in managing investments for foundations, endowments and nonprofit organizations.

As a small boutique within a much larger organization, Capital Group Private Client Services is able to tap into a rich array of proprietary in-depth, world-class research and portfolio management expertise around the globe. Central to the firm's mission is providing highly personalized service while leveraging the considerable resources and talents of investment professionals throughout The Capital Group Companies organization.

Capital Group is only in one business: growing and protecting the assets of its clients. This is accomplished by building equity and fixed-income portfolios that are customized to the specific needs of every individual or organization. Clients also benefit from access to the firm's in-house Wealth Advisory Group, which works alongside a team of highly experienced Investment Counselors to develop customized investment plans tailored to each client.

Capital Group is a privately held organization and views this as a cornerstone of its long-term approach to investing. Among other things, it allows the firm to avoid the quarterly earnings pressures that can constrain publicly traded companies and lead to nearsighted thinking. It also gives the firm freedom to put client needs first and make important strategic decisions that will benefit clients—and not some outside shareholders—in the future.

Capital Group Private Client Services has eight offices around the United States, but serves individuals and organizations around the world. The firm has a long, proven track record and prides itself on exceeding client expectations.

In addition, Capital Group Private Client Services was recently named "Best Wealth Manager over $5 Billion" for 2011 by Private Asset Management magazine and just launched an enhanced Website at www.capitalgrouppcs.com.

For more information about Capital Group Private Client Services, please contact:
Dean Smith
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202-945-6317

SAVE THE DATE!

Keynote Presentation Featuring
Mallory and William Walker
of

Walker&Dunlop
Real Estate Financial Services

Thursday, September 22nd, 2011

Join the Alliance as we welcome Mallory and William Walker of Walker & Dunlop, a third generation family-owned real estate financing company headquartered in Bethesda, MD. CEO William Walker and his father, Mallory, will share their company's success story – including how they became the first mortgage banking company to go public since 2008.

For more information, contact Natalie Bradley at Bradley@dcfamilybusiness.com or 301-272-6062.

William "Willy" Walker
In September 2003, Mr. Walker became the executive vice president and chief operating officer of Walker & Dunlop and has been serving as the president of Walker & Dunlop since January 2005 and as the chief executive officer since January 2007. Mr. Walker also currently serves as chairman of the board of directors of Transcom Worldwide S.A., a publicly traded European outsourcing company, as well as chairman of the board of directors of the District of Columbia Water and Sewer Authority (DC Water). He is a member of the board of directors of Sustainable Technologies Fund, a Swedish clean-tech venture capital firm. Mr. Walker received his Bachelor of Arts in Government from St. Lawrence University and his Masters in Business Administration from Harvard University.

Mallory Walker
Mallory Walker is chairman of Walker & Dunlop. A native of Washington, D.C., Mr Walker's background includes 13 years as a Director of Fannie Mae (NYSE: FNM), the nation's largest mortgage lender. He was a founding director of Atlantic Trust Company, which was sold to United Asset Management (UAM) and subsequently sold to AMVESCAP PLC (NYSE: AVZ), and he was a Director of Charles E. Smith Residential Realty, Inc., now (NYSE: ASN) from the formation of the public company in 1994 until the fall of 1999. He was a member of the American Society of Real Estate Counselors (CRE) from 1983 to March 2002 and of the Multi-Family (Blue) Council of the Urban Land Institute from 1998 to 2004. Mr. Walker graduated from the University of Virginia with a degree in history.

ALLIANCE MEMBERSHIP
An Investment in Your Family Business' Future

Become a member of the Greater Washington DC Family Business Alliance and give your family business the expert resources it needs to grow and thrive! Our team of Business Partners works to improve the health of both the business and the family, leading to optimal performance for your family business.

Membership benefits include:
- Professional Consultations with Expert Advisors
- Family Circle Peer Groups
- Exclusive Networking Opportunities
- Discounts on Events and Resources
- Online Resource Directory Listing

Membership fees begin at just $500 for inaugural year membership and both family and senior non-family members are eligible to join.

For more information, or to join, visit www.dcfamilybusiness.com/membership or contact Debra Andrews, Executive Director, at 301-272-6094 or Andrews@dcfamilybusiness.com.

Family Business Fact oids

Family-owned and family-controlled firms comprise 80% to 90% of all business enterprises in North America.
• Family Business Review, September 2003

The majority (two-thirds) of family business owners in a Barclays/Economist poll want to ensure a livelihood for their dependents by running the business.
• Barclays Wealth Insights, 2009

The leadership of 39% of family-owned businesses will have changed hands in the next five years.
• Raymond Institute/MassMutual, American Family Business Survey, 2003

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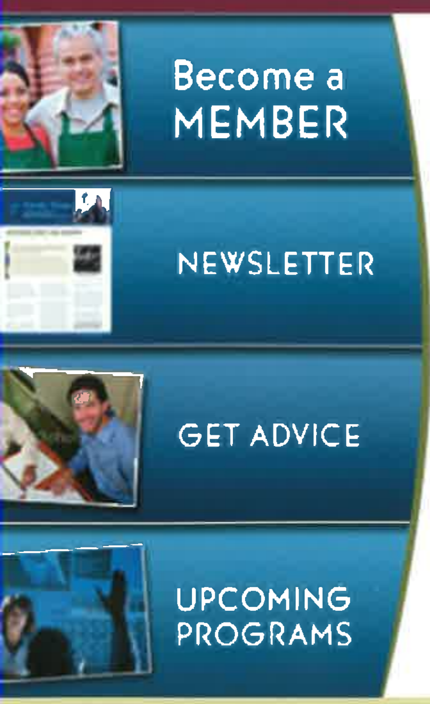

GREATER WASHINGTON D.C.
FAMILY BUSINESS ALLIANCE

ANNOUNCES ITS NEW WEBSITE

www.dcfamilybusiness.com

The premier online resource for DC family businesses has just expanded to include more helpful resources and information than ever before! New features include an **in-depth resource library**, as well as **current news** and **Alliance updates**. Plus Alliance members have access to additional resources and information. Log on today at www.dcfamilybusiness.com!